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SENSITIVE
SIPDIS

IO/T, ISN/MNSA COCKERHAM, IO/UNP, ISN CTR CURRY; NA-243
GOOREVICH; NA-241 SIEMON, O'CONNOR, LAMONTAGNE; AFTAC FOR
CHARLES BRENNAN

E.O. 12958: N/A

TAGS: [AORC](#) [KNNP](#) [IAEA](#) [ENRG](#) [TRGY](#)

SUBJECT: IAEA/SAFEGUARDS/BUDGET: LEADING WITH OUR STRONG
SUIT BY SECURING CONSENSUS FOR A NEW SAFEGUARDS ANALYTIC
LABORATORY

REF: A. UNVIE 00219

[B](#). SWINDLE-KESSLER EMAIL ON JULY WORKSHOP FORWARDED
TO SSTs

[C](#). MAY 5 PBC REPORT

Summary

[1](#). (SBU) DDG for Safeguards Olli Heinonen recently told MsnOff that he has been approached by "many Missions" to inquire about "stretching out" the funding for the requested upgrades to the Safeguards Analytical Laboratories (SAL), in particular replacement of the Nuclear Materials Laboratory (NML). Heinonen expressed concern that delays in funding NML would result in additional costs related to short-term fixes to keep the facility operating, as well as repairing/replacing old and ailing equipment. Heinonen believes, therefore, that delay of the NML project would end up costing the Agency and its Member States more money in the long run. Heinonen also noted that the decision has largely been taken to move management of SAL into the Safeguards Department.

[2](#). (SBU) Comment and Recommendation: Heinonen expressed his concerns in advance of IAEA Board of Governors Chair Feroukhi's May 8 informal meeting on the IAEA budget process, at which Feroukhi asked the Secretariat to lay out a plan for phasing over two biennia the Agency's requested budget increase (see Ref A). Although SAL funding was not proposed for postponement, Heinonen is clearly concerned by the prospect of a delay. In light of the fundamental importance to the safeguards regime of a viable NML sample analysis capability, Mission recommends we enhance engagement with key Board Members, in Vienna and in capitals, to secure firm consensus that replacement of the NML is a necessity and use that as part of our argument for moving beyond zero real growth. Mission believes achieving consensus that the Agency must have a viable replacement option is achievable.

[3](#). (BU) Based on technical input regarding the likely best scenario timeline for the NML project from a U.S. consultant assisting the IAEA on SAL enhancement, we recommend Washington consider a possible two-step endgame on SAL. The first step is to ensure sufficient regular budget funds (the IAEA Secretariat's proposed 9.325 million Euros in 2010) be included in the pending 2010/2011 budget for carrying the NML project forward through design to the construction phase, a process that the consultant estimates would take until at least spring 2011. The second step -- securing funds for construction -- could then take place during negotiation of the next budget biennium and would be conducted on a stronger footing, given the existence of a detailed design for

the NML, better cost estimates, etc. This approach could create negotiating space for other safeguards priorities in the broader ongoing budget debate, because it would, in effect, remove approximately 21 million euros, currently proposed by the Secretariat for 2011, from the current biennium budget proposal. Indeed the lack of a detailed project plan and cost estimate makes it difficult to justify the higher figure at this time. And, according to the estimated timeline for the full design phase, it would not result in the delay feared by Heinonen so long as construction funds are secured (whether regular or extrabudgetary) by summer 2011 for the next (2012/2013) budget biennium. Some member states are also exploring creative financing mechanisms for SAL, including the proposal by the External Auditor to allow the Agency to borrow from the Technical Cooperation Fund. Mission will keep Washington informed as this or other funding concepts take shape. End summary, recommendation and comment.

"Band-Aid" Fixes More Expensive
In the Long Run

14. (SBU) Heinonen told MsnOff on May 7 that he has been approached by "many Missions" to inquire about "stretching out" the funding for the requested upgrades to the Safeguards Analytical Laboratories. Heinonen said that if the replacement of the NML is delayed, it will mean that "hard decisions" will have to be made about how much more money will have to be spent in the interim to keep the current laboratory "hobbling" along, including security and ventilation upgrades and other renovations. The current

facility cannot be relied upon, especially in light of needed ventilation and security upgrades, and there is no viable plan at the moment for using the IAEA's Network of Analytic Laboratories (NWAL) to replace the NML should it fail before a replacement is built. (Comment: The U.S. consultant assisting the IAEA on ECAS planning, Dave Swindle, has underlined to both Mission and Heinonen that the Secretariat has no backup plan for how to continue necessary safeguards work should the NML fail.) Heinonen said the Secretariat could, if member states demanded, again revisit the options for where to put the NML or the issue of renovation versus replacement. However, he did not believe renovation would be the cost-effective alternative in the long run, nor that continued delays for revisiting options would be cost-effective. He said he had discussed the issue with DG ElBaradei and DDG for Management Waller, who both agreed that "band-aid" fixes would cost more in the end. Speaking with Charge on May 11, Waller reported a conversation earlier that day with the Austrian Research Center Director who indicated active attention to the long-running issue of host nation support.

15. (SBU) Heinonen stressed again the risk of delay given the growing risk that the current NML could go out of service and thereby bring safeguards implementation to a virtual, albeit temporary, halt. The lab's aging ventilation system is a particular concern. (Note: At a briefing to "Friends of SAL" in March, lab officials noted how an accident with a stored plutonium reference sample had caused the shut down of the facility that had analyzed radioactive swipe samples, which are typically taken inside hot cells.) Heinonen made the point that member states that have pledged to help analyze samples through the NWAL so far have not done so, nor have they agreed to fund SAL. Member states must do one or the other, he argued. (Note: Unlike the NWAL for environmental samples, which handles a significant fraction of bulk swipe samples and most particle samples, all analysis of bulk nuclear material samples is conducted at SAL's NML. Even if new NWAL facilities come online for nuclear material analysis, medium-term projections are that they would only handle a small percentage of all samples necessary for routine implementation of safeguards.)

¶6. (SBU) Heinonen also updated MsnOff regarding the future of SAL management. Although an internal review as to the specifics is continuing, he said the DG has already endorsed moving SAL to the Department of Safeguards (its "management" currently sits under the Department for Nuclear Sciences and Applications). According to Heinonen, Gabriele Voigt (currently the Director of Seibersdorf Laboratories, of which SAL is a part) will be the initial director of a new analytic division of the Safeguards Department, at least for a transitional period, while the IAEA advertises the position in hopes of getting a "real expert." (Comment: Administrative details of the move are still not complete, and the plan will still require formal approval by the DG, but Heinonen has clearly wired the outcome here to bring SAL to the Safeguards Department. We understand that proposals to place SAL under the current Divisions of Technical Support and Information Management were considered and rejected. The move will facilitate the communication, management, and efficiency of SAL, as it will be directly linked to its customer - the Department of Safeguards. End Comment.)

July Workshop

¶7. (SBU) U.S. Support Program (USSP)-funded consultant David Swindle has been advising the IAEA on its planning for the project "Enhancing Capabilities of the Safeguards Analytical Services" (ECAS), to which the lab upgrade is central. This consultancy includes both planning for the NML replacement and selecting contractors for the near-term project on the Clean Lab Extension (CLE), which aims to enable better environmental sample analysis and is separate from the NML, and which will be paid for with 2008-2009 regular budget funds freed up by delays in other major safeguards projects (JMOX and Chernobyl). On the NML replacement, Swindle has proposed, and Heinonen has agreed, that the Agency host a workshop in late July for IAEA Member States that may be interested in supporting SAL (Ref B). According to the

current draft scope of the July meeting, the stated objectives are (1) for the Agency to present plans for the management of sample analytical services (i.e. the new Division in Safeguards), (2) for the Agency to present the alternatives it considered and its preferred approach for meeting long-term (through 2035) infrastructure needs, (3) to discuss possible future SAL missions, and (4) to discuss possible financial support by Member States for SAL. In consultation with Mission, Swindle envisions the last segment of the meeting to be an opportunity to discuss any necessary process for coordinating/securing donors willing to consider pledges of extrabudgetary funding. Another political objective of the meeting would be to overcome earlier perceptions that the Secretariat's machinations on SAL were not sufficiently transparent, comprehensive, and well-reasoned.

Linkage to Budget Negotiations

¶8. (SBU) In the April 27-29 meeting of the Program and Budget Committee (Ref C), many Board Members expressed support for SAL and the need for the Agency to maintain an independent analytical capability. Particularly noteworthy were statements by the G-77/China and GRULAC, who were otherwise unreceptive to WEOG priorities in safeguards and security. This suggests the opportunity for a quid pro quo where we might obtain an increase for SAL in exchange for increases in promotional activities of interest to the G-77/China. However, this does not necessarily match the full range of U.S. priorities, which include the need to incorporate management of Nuclear Security into the regular budget, meet expanding safeguards operational needs, and support the transition to an "information-driven" safeguards

culture. DDG Waller has suggested privately that a U.S. offer of extrabudgetary funding for the Agency's capital investment projects, including SAL, "could significantly improve the negotiating environment." Mission sees merit in Waller's approach, and recommends consideration of the United States making such an offer later in this summer's budget negotiations, perhaps pursuant to a possible two-step solution referred to above in paragraph 3.

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